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SUBJECT: G8 LABOR MINISTERS ON THE SOCIAL DIMENSION OF  
GLOBALIZATION

#### SUMMARY

¶1. Labor ministers of the G8 countries, meeting in Dresden May 6-8, said governments need to address the social dimension of globalization by devising employment and social protection strategies and promoting corporate social responsibility. They asked the G8 heads of state and government to endorse these proposals when they meet in Heiligendamm in June.

¶2. German Minister of Labor and Social Affairs Franz Muentefering chaired the meeting and issued a concluding statement, available at the Ministry's website ([www.bmas.bund.de](http://www.bmas.bund.de)). The other G8 countries were represented as follows: Canada's Deputy Minister of Human Resources and Social Development Janice Charlette, France's Director General of the Ministry of Employment, Social Cohesion and Housing Agnes Leclerc, Italy's Minister of Labor and Social Security Cesare Damiano, Japan's Parliamentary Secretary for Health, Labor and Welfare Hirokazu Matsuno, Russia's Minister of Health and Social Development Mikhail Zurabov, the UK's Minister for Employment and Welfare Reform Jim Murphy, and U.S. Assistant Secretary of Labor for Employment and Training Emily Stover DeRocco.

¶3. Brazilian Minister of Social Security Luiz Marinho gave a special report on social protection. Also participating were ILO Director-General Juan Somavia, OECD Secretary General Angel Gurría, EU Employment Commissioner Vladimir Spidla, and World Bank Vice-President Danny Leipziger. Delegations representing the OECD's trade union and business and industry advisory committees, TUAC and BIAC, also met with the ministers. End summary.

#### MORE AND BETTER EMPLOYMENT

¶4. The G-8 labor ministers agreed on the need for growth-oriented macroeconomic policies, the need to open labor markets to all workers, especially vulnerable ones, and the need for more training programs to provide more and better job opportunities. The ministers noted that "there is no single successful policy package to achieve balance between flexibility and security" and suggested that appropriate solutions "depend on national circumstances."

They also called for family-friendly employment policies to increase labor force participation rates, especially for women, the disabled, and older workers.

15. The OECD's Angel Gurría, saying the gains from globalization are neither automatic nor painless, acknowledged that the share of wages in national income has fallen in most OECD countries in the past two decades, as pointed out by the trade unions. While disputing the notion that globalization is chiefly to blame, he acknowledged the need to address the public perception that this is so. Labor markets need to support rapid worker adjustment towards expanding sectors, he said. Overly strict employment protection legislation can reduce worker mobility, but a certain degree of employment protection, like advance notification of large-scale layoffs, can reduce adjustment costs. Displaced workers need to be compensated by means of time-limited adjustment measures that "make work pay," he recommended, citing as examples the earned income tax credit in the United States and "moderate" minimum wages.

16. Assistant Secretary Emily DeRocco agreed with Gurría that in order to maximize the gains from globalization, labor markets need to support rapid worker adjustment, and product markets need to facilitate the creation of new businesses. "Although global competition is typically seen as a national challenge," she said, "the front line of the battlefield is regional: the place where companies, researchers, entrepreneurs and governments come together to create a competitive advantage." She described the Department of Labor's program for Workforce Innovation in Regional Economies (WIRED) and invited her G8 colleagues to visit the United States to see it. She also noted that some U.S. trade

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adjustment assistance and disabilities programs, which provided beneficiaries with large financial outlays without a direct incentive to reenter the job market, had low success rates and were poor models for emulation.

17. The UK's Jim Murphy said he was interested in the experience of other G8 countries in dealing with those "farthest from the labor market," which he described as workers left behind domestically and now left further behind in the global labor market, including members of racial and ethnic minorities and the disabled. Canada's Janice Charlette mentioned the importance of immigration for Canada's labor markets, but Russia's Mikhail Zurabov stressed the problems caused by illegal immigration from the former republics of the USSR.

18. The ILO's Juan Somavia said the ministers' remarks confirmed the view of the World Commission on the Social Dimension of Globalization that "the response to globalization can be said to begin at home." He said the ILO is following up on the Commission's 2004 report by focusing on how developed countries deal with the social dimension of globalization, and he invited the ministers to participate.

19. Germany's Franz Muntefering attributed rising employment in Germany to his government's decision to cut corporate taxes ("against opposition from my own party") and said the government had also found it necessary to create tax incentives for things like home renovation in order to encourage notoriously cautious Germans to spend. Personal services are likely to be a growth sector in the future, he said, but the trade unions keep talking about creating manufacturing jobs. Finally, he made a pitch for a minimum wage in Germany to relieve the government of the burden of topping up the wages of the working poor.

#### SOCIAL PROTECTION IN THE DEVELOPING COUNTRIES

10. The ministers lamented the fact that ILO standards in the field of social protection are poorly implemented, and asked the ILO to analyze the reasons and suggest solutions.

They also said the G8 governments themselves need to do more in their bilateral and multilateral development cooperation programs to expand social protection into areas including health care, child benefits, old-age pensions, and employment.

¶11. Social security is not only a human right, said ILO Director-General Somavia, but also a productive factor that facilitates social and economic development. A basic set of social protection benefits should be introduced at an early stage of economic development, sequenced by order of priority if necessary for budgetary reasons. This could constitute part of the global socio-economic floor advocated by the World Commission on the Social Dimension of Globalization, along with minimum social and labor rights that go beyond the borders of social protection.

¶12. World Bank Vice-President Leipziger said the prevalence of the informal sector in developing countries means social protection must not be linked to employment status if it is to meet the needs of the working poor. He said it is unrealistic to expect most developing countries to provide the full range of protections available in most developed countries. He stressed the importance of sustained high growth for extending protection to more households and urged G8 countries to open their markets so that poor countries can raise their incomes and create employment, citing as good examples trade preference agreements like AGOA. He urged G8 governments to scale up development assistance to meet the commitments they made at the Gleneagles summit, and to promote circular migration and facilitate the flows of remittances, which far surpass development aid.

¶13. Brazil's Luiz Marinho also stressed the importance of access to markets in developed countries. He rejected the notion that social protection is too expensive, saying the history of European countries shows the opposite is true.

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"We see social protection as an investment," he said. "It is much more expensive not to have it."

¶14. Germany's Franz Muentefering said the European tradition of the welfare state based on the principle of organized solidarity is well proven and can be applied elsewhere. Assistant Secretary DeRocco said the central features of the U.S. approach to social protection are promoting labor market flexibility, fostering education and training, maintaining high economic growth, and rewarding work, initiative and personal responsibility. Policies that simply transfer public resources to the poor will lead to welfare dependence. She praised the 1996 welfare reform in the United States, which she said had transformed Aid to Families with Dependent Children into a program that acts more like insurance against temporary poverty and less like a permanent transfer program.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

¶15. The ministers said companies large and small can help governments shape the social dimension of globalization through voluntary CSR efforts that go beyond compliance with legal obligations. They encouraged companies in the G8 countries and elsewhere to observe the OECD Guidelines for Multinational Enterprises, made a commitment "to actively supporting the dissemination of these guidelines and promoting a better governance through OECD Guidelines' National Contact Points," and appealed to governments of developing countries to associate themselves with the values and standards in the Guidelines. They also expressed support for the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the UN Global Compact, and they "noted with interest" the negotiation of international framework agreements between multinationals and global union federations.

¶16. U.S. Assistant Secretary DeRocco called CSR a subset of corporate behavior and pointed out that President Bush had

enthusiastically signed the Sarbanes-Oxley Act to increase federal oversight of corporate governance. Over 50 U.S. government agencies have programs that address various aspects of CSR, said DeRocco, citing three examples at State: participation in the Extractive Industries Transparency Initiative, the Secretary's annual Award for Corporate Excellence, and DRL's Partnership to Eliminate Sweatshops. Department of Labor programs to combat child labor, carried out in cooperation with employers' organizations abroad, were another example of USG support for CSR. "The single most socially responsible deed companies can perform," she concluded, "is to earn a profit, grow, create jobs and enhance our prosperity."

¶17. OECD Secretary-General Gurria praised the efforts of OECD countries like the UK and the Netherlands to strengthen the role of their National Contact Points for implementing the OECD Guidelines. EU Employment Commissioner Spidla said CSR can only be meaningful if it involves labor-management dialogue, hence EC support for the international framework agreements negotiated between multinationals and global union federations. France's Agnes Leclerc agreed and said the ILO could facilitate the necessary dialogue. Canada's Janice Charlette said a survey by her ministry of 60 large Canadian companies showed CSR is still a work in progress. Governments need to look at a combination of carrots and sticks to encourage companies to engage in CSR, she said.

#### NEXT YEAR IN JAPAN

¶18. The Japanese government offered to host the G8 labor ministerial in 2008 and the ministers accepted.

¶19. This cable has been cleared by the Department of Labor delegation to the G8 ministerial.  
TIMKEN JR